

DOCKET FILE COPY ORIGINAL

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of)	
Federal-State Joint Board on)	CC Docket No. 96-45
Universal Service)	
)	
1998 Biennial Regulatory Review - Streamlined)	
Contributor Reporting Requirements Associated)	CC Docket No. 98-171
With Administration of Telecommunications)	
Relay Service, North American Numbering Plan,)	
Local Number Portability, and Universal Service)	
Support Mechanisms)	
)	
Telecommunications Services for Individuals)	CC Docket No. 90-571
with Hearing and Speech Disabilities, and the)	
Americans with Disabilities Act of 1990)	
)	
Administration of the North American)	CC Docket No. 92-237
Numbering Plan and North American)	NSD File No. L-00-72
Numbering Plan Cost Recovery Contribution)	
Factor and Fund Size)	
)	
Number Resource Optimization)	CC Docket No. 99-200
)	
Telephone Number Portability)	CC Docket No. 95-116
)	
Truth-in-Billing and Billing Format)	CC Docket No. 98-170

**REPLY TO OPPOSITIONS TO AND COMMENTS ON
PETITION FOR PARTIAL RECONSIDERATION AND CLARIFICATION**

The United States Telecom Association (USTA),¹ through the undersigned and pursuant to Section 1.429 of the rules² of the Federal Communication Commission (FCC), hereby submits its reply to the oppositions to and comments on the Petition of the United States Telecom

¹ USTA is the nation's oldest trade organization for the local exchange carrier industry. USTA's carrier members provide a full array of voice, data, and video services over wireline and wireless networks.

² 47 C.F.R. § 1.429

1 of Copies rec'd
FILED

②

USTA Reply to Oppositions to and Comments on
Petition for Partial Reconsideration and Clarification

CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200,
95-116, 98-170 and NSD File No. L-00-72

March 10, 2003

Association for Partial Reconsideration and Clarification filed in the proceeding referenced
above (the **Petition**).³

As it did in the Petition, USTA urges the FCC to recognize that in making changes to the
current mechanism for assessing contributions to the federal universal service fund (USF) in its
Report and Order and Second Further Notice of Proposed Rulemaking (the Order): it has
created opportunities for inequity. USTA believes that these inequities can be easily corrected as
described in detail in the Petition and summarized as follows. First, USTA again asks the FCC
to make clear that what is often referred to as the “no-averaging rule”⁵ does not apply to Centrex
service. In other words, USTA has requested that the FCC clarify that carriers may continue to
recover the increment after applying the equivalency amount of one-ninth of the full USF
contribution assessment to Centrex lines permitted under section 69.158 of the FCC’s rules⁶ by

³ *Federal-State Joint Board on Universal Service*, Petition of the United States Telecom
Association for Partial Reconsideration and Clarification, CC Docket Nos. 96-45, 98-171, 90-
571, 92-237, 99-200, 95-116, 98-170 and NSD File No. L-00-72 (Jan. 29, 2003) (Petition).

⁴ *Federal-State Joint Board on Universal Service; 1998 Biennial Regulatory Review –
Streamlined Contributor Reporting Requirements Associated with Administration of
Telecommunications Relay Service, North American Numbering Plan, Local Number Portability,
and Universal Service Support Mechanisms; Telecommunications Services for Individuals with
Hearing and Speech Disabilities, and the Americans with Disabilities Act of 1990;
Administration of the North American Numbering Plan and North American Numbering Plan
Cost Recovery Contribution Factor and Fund Size; Number Resource Optimization; Telephone
Number Portability; Truth-in-Billing and Billing Format*, Report and Order and Second Further
Notice of Proposed Rulemaking, CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200, 95-
116, 98-170, NSD File No. L-00-72 (rel. Dec. 13, 2002) (Order).

⁵ The “no-averaging” rule is the FCC rule that carrier’s USF charges on customer bills may not
exceed the interstate telecommunications portion of the bill times the relevant contribution
factor. See Order at ¶¶ 45, 51.

⁶ 47 C.F.R. § 69.158.

USTA Reply to Oppositions to and Comments on
Petition for Partial Reconsideration and Clarification

CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200,
95-116, 98-170 and NSD File No. L-00-72

March 10, 2003

averaging the remaining eight-ninths of the USF contribution across the multi-line business (MLB) customer class. Second, USTA again asks the FCC to permit averaging of USF contribution charges over a customer class to account for the inability of billing systems to assess customer-specific USF contributions on certain incidental interstate services. Third, USTA again urges the FCC to allow all carriers to recover their legitimate administrative costs in a similar manner that does not discriminate against price cap carriers who recover costs differently. Specifically, USTA has asked the FCC to permit carriers to include an incremental amount, subject to a cap, in their billed universal service contribution line item to recover their administrative costs.

ARUGMENT

USTA responds to the oppositions filed by the National Association of State Utility Consumer Advocates (NASUCA), the Ad **Hoc** Telecommunications Users Committee (Ad Hoc), and WorldCom, Inc. (WorldCom). WorldCom, alone among commenters, objected to USTA's request that the FCC clarify the Order with regard to Centrex service, arguing that the FCC's no-averaging rule contains no exception for **Centrex**.⁷ WorldCom ignores, however, the inconsistency between the Order and the FCC's long-standing equivalency policy codified in section **69.158** of the FCC's rules. In so doing, WorldCom appears to be attempting to create a competitive advantage for itself by increasing others' Centrex service charges so that Centrex is

⁷ *Federal-State Joint Board on Universal Service*, WorldCom, Inc. Comments on Petitions for Reconsideration, CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200, 95-116, 98-170, NSD File No. L-00-72 (Feb. 27, 2003) (WorldCom Comments) at **5**.

March 10, 2003

not competitive with its own PBX service. Contrary to WorldCom's claim, USTA is not asking for an exception for Centrex service but, rather, simply that the FCC make clear that it intended to apply its own long-standing policy of permitting carriers to apply a USF charge at one-ninth of the rate assessed on trunks so that Centrex customers are treated similarly to PBX customers.⁸

As the Association for Telecommunication and Technology Professional Serving State Government (NASTD) points out, the Centrex equivalency ratio was established to preserve competitive neutrality in the treatment of Centrex and PBX services, and, therefore, the FCC should clarify the Order to affirm that the status quo is not changing on the use of the equivalency ratio in assessing USF charges to Centrex customers.⁹ Moreover, applying the Centrex equivalency ratio in the interim contribution methodology comports with what the FCC would do in the connections-based proposals it is currently considering."

NASUCA opposes USTA's proposal to allow averaging over a customer class to account for the difficulty of recovering USF contributions assessed on certain incidental interstate services, such as the end-user presubscribed interexchange carrier (PIC) change charge and the presubscribed interexchange carrier charge (PICC), because, NASUCA says, such averaging

⁸ See Petition at 9-10.

⁹ *Federal-State Joint Board on Universal Service*, Letter of NASTD, CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200, 95-116, 98-170, NSD File No. L-00-72 (Feb. 28, 2003) at 1. See also *Federal-State Joint Board on Universal Service*, Comments of Verizon on Petitions for Reconsideration and Clarification, CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200, 95-116, 98-170, NSD File No. L-00-72 (Feb. 27, 2003) (Verizon Comments) at 2.

¹⁰ Order at ¶¶ 76, 87.

USTA Reply to Oppositions to and Comments on
Petition for Partial Reconsideration and Clarification

CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200,
95-116, 98-170 and NSD File No. L-00-72

March 10, 2003

results in some customers paying USF costs that should **be** paid by other customers.”

NASUCA’s argument ignores the fact that the only reason for USTA’s request to allow averaging is that many local exchanges carriers’ billing systems are currently unable to identify certain interstate costs on a customer-specific basis for purposes of USF billing.” If the FCC were *to* allow the amounts that would otherwise apply to individual customers to continue to be averaged and added to the factor that is billed to all customers within a given customer class in a state, local exchange carriers would be able to recover their USF assessment on these interstate charges. For customers of carriers that have such billing difficulties, such as Verizon Telephone Companies (Verizon), BellSouth Corporation (BellSouth) and SBC Communications, Inc. (SBC), the effect would **be** a *de minimis* increase of only about a penny per line per month over what would otherwise be **charged**.¹³

NASUCA also argues against permitting price cap carriers the flexibility they need to recover administrative costs, stating that administrative cost recovery is an issue for these carriers only when their rates are at the price cap, in which case, NASUCA implies, they do not

¹¹ *Federal-State Joint Board on Universal Service*, NASUCA’s Opposition to Petitions for Reconsideration, CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200, 95-116, 98-170, NSD File No. **L-00-72** (Feb. **27,2003**) (NASUCA Opposition) at 5. *See also* WorldCom Comments at 6.

¹² *See* Petition at 12.

¹³ *Federal-State Joint Board on Universal Service*, Reply to Oppositions to Interim Waiver filed by Verizon, SBC, and BellSouth, CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200, 95-116, **98-170**, NSD File No. **L-00-72** (Feb. **26,2003**) at 5.

USTA Reply to Oppositions to and Comments on
Petition for Partial Reconsideration and Clarification

CC Docket Nos. 96-45,98-171, 90-571, 92-237, 99-200,
95-116, 98-170 and NSD File No. L-00-72

March 10, 2003

deserve any recovery.¹⁴ NASUCA ignores the fact that unnecessarily limiting price cap carrier's administrative cost-recovery options violates Section 254(d) of the Telecommunications Act of 1996, which requires every telecommunications carrier to contribute to the USF on "an equitable and nondiscriminatory basis."¹⁵ As SBC notes, "the Commission must provide a mechanism for price cap ILECs to recover their administrative costs; otherwise it will be discriminating against price cap ILECs in contravention of section 254."¹⁶ USTA noted in the Petition that the Order effectively gives price cap carriers the unsatisfactory choice of recovering administrative costs through a separate line item or through interstate rates." Under the Order, price cap carriers would have to add a new line item to recover the administrative expense of an existing line item, which is needlessly bureaucratic and causes customer confusion and annoyance. Furthermore, in order to recover costs through interstate rates, carriers would have to show that such costs merit exogenous treatment. Even if the FCC were to accept an exogenous showing, price cap carriers have only a limited range of existing interstate rates through which to effect recovery, such as MLB PICC and the MLB subscriber line charge (SLC).¹⁸ Effectively, this would mean that the only way price cap carriers could get USF recovery would be by charging interexchange

¹⁴ NASUCA states, "Yet this is only an issue where the carriers' rates are at the price cap ceiling, and there is no 'headroom' to allow recovery through rates. It is difficult to muster much sympathy for the carriers that experience this problem." NASUCA Opposition at 5.

¹⁵ 47 U.S.C. §254(d).

¹⁶ *Federal-State Joint Board on Universal Service*, Comments of SBC Communications Inc., CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200, 95-116, 98-170, NSD File No. L-00-72 (Feb. 27, 2003) at 6 (SBC Comments).

¹⁷ Petition at 6-7.

¹⁸ *Id.*

USTA Reply to Oppositions to and Comments on
Petition for Partial Reconsideration and Clarification

CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200,
95-116, 98-170 and NSD File No. LOO-72

March 10, 2003

(IXC) wholesale customers in their access charges to recover sums associated with end user SLCs and MLB PICC retail revenues rather than charging the customers who incur and should pay such costs. Not only is this result inconsistent with NASUCA's argument against charging one group of customers for another group's universal service costs, it is inconsistent with the FCC's principle of cost causation in that it would leave IXCs paying local exchange carriers' administrative costs without a way to recover those costs other than raising end-user toll rates.

Like NASUCA, Ad Hoc opposes USTA's request for permission to include administrative costs in USF contribution **charges**.¹⁹ Ad Hoc argues that inclusion of administrative costs will allow carriers to recover more than their legitimate administrative costs. It notes that these costs are low and argues that they should be capped at one percent of USF contributions **collected**.²⁰ USTA agrees that the administrative costs **of** collecting and remitting **USF** contributions under the current system are not substantial. Nevertheless, the administrative costs of changing billing systems and recovery mechanisms are likely to be significant. For example, Verizon and BellSouth estimate that it will take their companies some 5,100 and **4,000** hours, respectively, to revamp their methods of calculating USF assessments just to permit them to bill individual customers in connection with incidental **services**.²¹ SBC estimates that "tens of thousands" of programming hours will be required to make the necessary changes to its billing

¹⁹ *Federal-State Joint Board on Universal Service*, Opposition to Petition for Reconsideration filed by Ad Hoc, CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200, 95-116, 98-170, NSD File No. **L-00-72** (Feb. 27, 2003) at **4** (Ad Hoc Opposition).

²⁰ *Id.*

²¹ Verizon Comments at 5.

USTA Reply to Oppositions to and Comments on
Petition for Partial Reconsideration and Clarification

CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200,
95-116, 98-170 and NSD File No. L-00-72

March 10, 2003

and related systems.” USTA’s proposal to include an incremental amount in the billed USF line item to recover such costs caps the amount and suggests that once a carrier’s costs in changing its billing system have been recovered, that carrier would only include the incremental amount for ongoing administrative expenses in its USF line item.²³ As Ad Hoc suggests, that continuing expenses in most cases should not exceed one per cent of a carrier’s USF contribution.²⁴

Unlike NASUCA and Ad Hoc, most parties filing in this proceeding agree with USTA regarding the recovery of administrative costs. SBC points out that these costs are legitimate expenses that deregulated carriers should be allowed to **recover**.²⁵ Sprint agrees with USTA that price cap carriers face a heavier burden of recovering administrative costs through their rates than other carriers and that permitting customer class averaging largely would alleviate concerns about cost **recovery**.²⁶ Sprint points out that the FCC has permitted CMRS carriers to average their customers USF obligations and states, “there is no reason why similar relief should not be granted to wireline local exchange carriers as well.”²⁷ AT&T states, “all carriers should be permitted to recover their administrative costs through the USF recovery **line-item**.”²⁸

²² SBC Comments at 6.

²³ Petition at n.18.

²⁴ Ad Hoc Opposition at 4.

²⁵ SBC Comments at 2, 6.

²⁶ *Federal-State Joint Board on Universal Service*, Comments of Sprint on Petitions for Reconsideration, CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200, 95-116, 98-170, NSD File No. L-00-72 (Feb. 27, 2003) at **4**.

²⁷ *Id.* at 2.

²⁸ *Federal-State Joint Board on Universal Service*, AT&T Comments on Petitions for Reconsideration and Clarification, CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200, 95-116, 98-170, NSD File No. L-00-72 (Feb. 27, 2003) at **6**.

**USTA Reply to Oppositions to and Comments on
Petition for Partial Reconsideration and Clarification**

**CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200,
95-116, 98-170 and NSD File No. L-00-72**

March 10, 2003

MAR 14 2003


CONCLUSION

For the foregoing reasons, USTA respectfully asks the FCC to make the clarifications described in USTA's Petition in order to ensure that carriers contribute to the universal service fund on an equitable and nondiscriminatory basis.

Respectfully submitted,

UNITED STATES TELECOM ASSOCIATION

By:


Lawrence E. Sarjeant
Indra Sehdev Chalk
Michael T. McMenamin
Robin E. Tuttle


Its Attorneys

**1401 H Street, NW, Suite 600
Washington, D.C. 20005
(202) 326-7300**

March 10, 2003

CERTIFICATE OF SERVICE

I hereby certify that a copy of USTA's Petition for Partial Reconsideration and Clarification in CC Docket Nos. 95-45, 98-171, 90-571, 92-237, 99-200, 95-116 and 98-170 was served on this 10th day of March 2003 to the attached service list.

By: 
Indra Sehdev Chalk

SERVICE LIST

Michael K. Powell
Chairman
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Commissioner Kathleen Q. Abemathy
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Commissioner Jonathan Adelstein
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Commissioner Michael J. Copps
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Commissioner Kevin J. Martin
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

William Maher
Bureau Chief
Wireline Competition Bureau
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Carol Matthey
Deputy Bureau Chief
Wireline Competition Bureau
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Eric Einhorn
Chief
Telecommunications Access Policy Division
Wireline Competition Bureau
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Diane Law Hsu
Telecommunications Access Policy
Division
Wireline Competition Bureau
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Marlene H. Dortch
Secretary
Federal Communications Commission
445 Twelfth Street, SW
Washington, DC 20554

James S. Blaszak
Levine, Blaszak, **Block & Boothby**, LLP
Counsel for The Ad Hoc
Telecommunications Users Committee
2001 L Street, NW
Suite 900
Washington, DC 20036

Jeffrey A. Brueggeman
Gary L. Phillips
Paul K. Mancini
SBC Communications, Inc.
1401 Eye Street, NW
Suite 1100
Washington, DC 20005

RECEIVED
MAR 14 2003

Laura H. Phillips
Laura S. Gallagher
Jason Friedrich
Drinker Biddle & Reath LLP
Counsel for Nextel Communications, Inc.
1500 K Street, NW
Suite 1100
Washington, DC 20036

Lori Wright
WorldCom, Inc.
1133 Nineteenth Street, NW Suite 737
Washington, DC 20036

Leonard J. Kennedy
Lawrence R. Krevor
Garnet M. Goins
Nextel Communications, Inc.
2001 Edmund Halley Drive
Reston, VA 20191

Michael E. Glover
Edward Shakin
Lawrence W. Katz
c/o Verizon
1515 North Court House Road
Suite 500
Arlington, VA 22201-2909

John Scott III, Esq.
Anne E. Hoskins, Esq.
Verizon Wireless
Suite 400 West
1300 Eye Street, NW
Washington, DC 20005

~~Mark~~ C. Rosenblum
Lawrence J. Lafaro
Judy Sello
AT&T Corp.
Room 3A229
One AT&T Way
Bedminster, New Jersey 07921

Richard A. Askoff
National Exchange Carrier Association, Inc.
80 South Jefferson Road
Whippany, NJ 07981

Qualex International
Portals II
Federal Communications Commission
445 Twelfth Street, SW
Washington, DC 20554
qualexint@aol.com

Jeanne Jansenius
President
ACUTA, Inc.
152 West Zandale Drive, Suite 200
Lexington, Kentucky 40503

Donna N. Lampert
Mark J. O'Connor
Linda L. Kent
Lampert & O'Connor, P.C.
Counsel for AOL Time Warner, Inc.
1750 K Street, NW
Suite 600
Washington, DC 20006

Mark J. O'Connor
Kenneth R. Boley
Lampert & O'Connor, P.C.
Counsel for Earthlink.
1750 K Street, NW
Suite 600
Washington, DC 20006

David C. Bergmann
NASUCA
8300 Colesville Road, Suite 101
Silver Spring, MD 20910

Robert S. Tongren
Ohio Consumers' Counsel
10 West Broad Street, Suite 1800
Columbus, OH 43215-3485

Michael Altschul
Cellular Telecommunications &
Internet Association
1250 Connecticut Ave, NW Suite 800
Washington, **DC 20036**

MAR 14 2003
L...

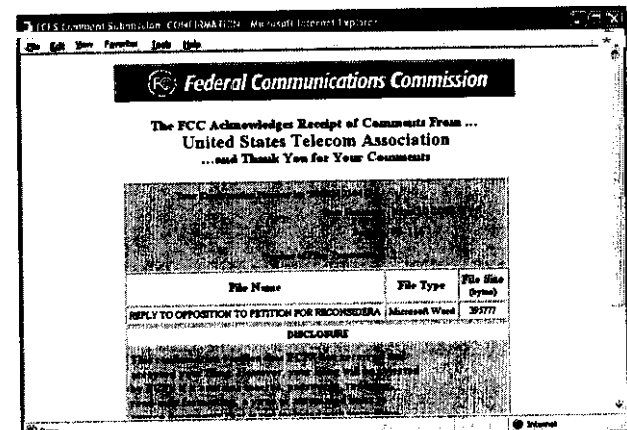
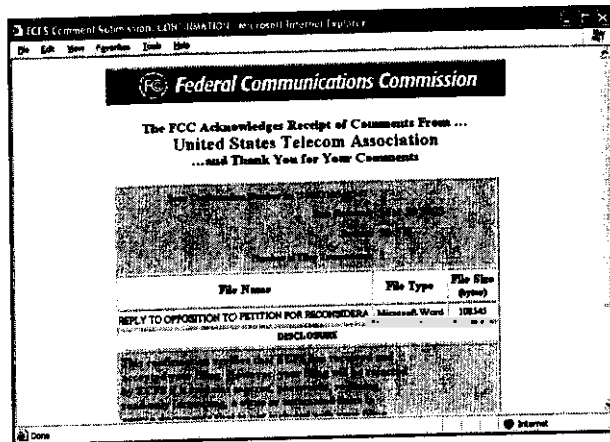
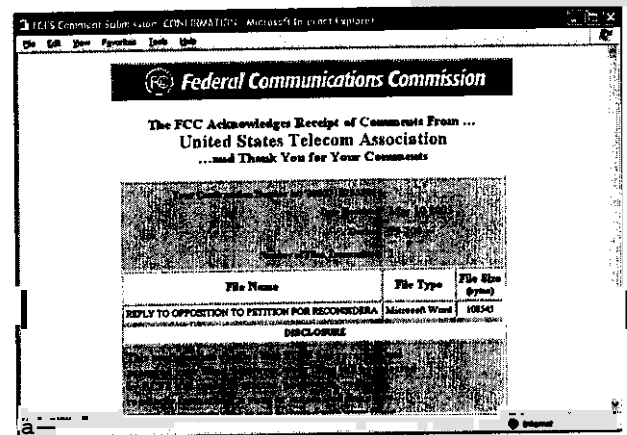
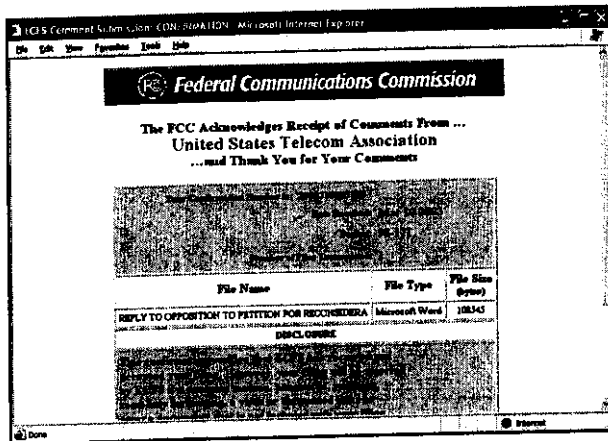
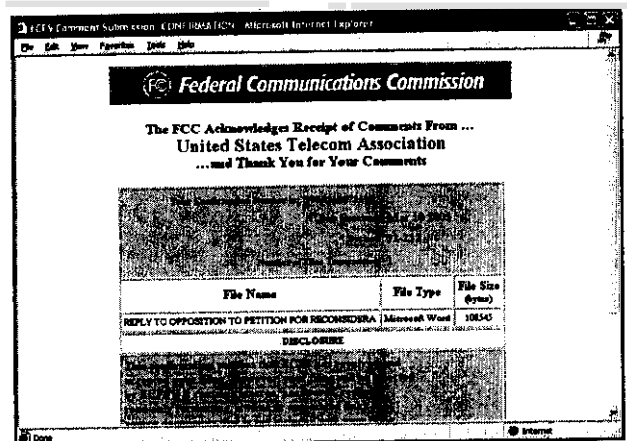
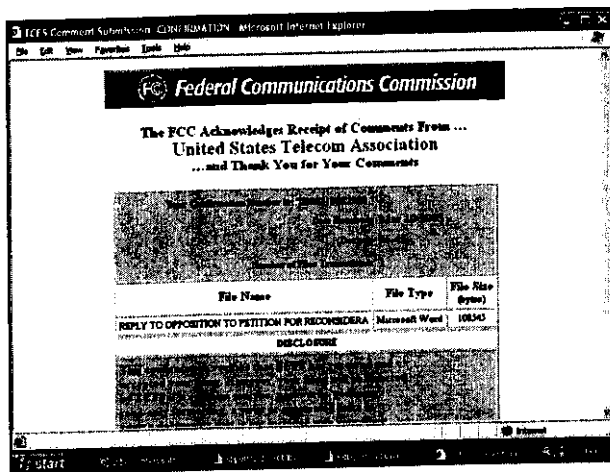
Dave Baker
Earthlink, Inc.
1375 Peachtree Street, Level A
Atlanta, GA **30309**

Hale Irwin
NASTD
10 Baldwin Street
Montpelier, **VT 05633-3701**

Angela Brown
BellSouth Corporation
675 W. Peachtree Street, N.E. Suite **4300**
Atlanta, GA **30375**

Steven N. Teplitz
AOL Time Warner Inc.
800 Connecticut Avenue, NW
Suite 200
Washington, DC **20006**

Richard Juhnke
Sprint Corporation
401 9th Street, NW
Washington, DC 20004



MAR 14 2003

